Meeting Minutes
Task Force on Property Tax Reform
Friday, December 6, 2013
10:00 am-3:00 pm
Roughrider Room, State Capitol

Committee Members Present: Governor Dalrymple, Ryan Rauschenberger, Linda Svihovec, Bill Wocken, Blaine DesLauriers, Dwight Cook, Wes Belter, Loren DeWitz, Hal Gershman, Blake Crosby, Mark Johnson, Jon Godfread, James Kramer, Mike Montplaisir. Audience attendance not taken.

Governor Dalrymple called the meeting to order at 10:00am. Governor thanked the members of the task force for their attendance. All members of the committee introduced themselves.

Committee Business
Governor explained that the citizen committee members will not be paid for time, but will be reimbursed for out of pocket expenses. Governor stated that the task force will attempt to meet once per month until mid-summer and the committee will set the next meeting date at each meeting. Discussion was held amongst the committee in regards to conflicting standing meetings.

Sandra Voller, Assistant Attorney General, provided a presentation on open meeting laws and information for the Task Force.

Purpose of the Task Force
Governor explained the *Executive Order 2013-25* that established the Task Force, its charges and membership.

Tax Code Overview
Ryan Rauschenberger explained the true and full value of taxable valuation, giving history of when the system was restructured in 1981. Rauschenberger provided a method handout and stated that the interim legislative Finance & Taxation Committee is studying the application of mills in addition to a variety of studies analyzing property tax relief.

Rauschenberger explained that we also have a renter's credit and homestead tax credit that are relevant to the conversation on the types of tax relief the state provides. Governor stated that we will look at all of these credits at future meeting dates, and understands that there are a number of committee members that are interested in this.

Discussion was held surrounding the various handouts provided. Property tax paid per capita demonstrates North Dakota reporting quite low in comparison to other states. Governor said that the question of where we rank amongst other states is interesting, but the Task Force will be focusing on the mechanics of the property tax system as it is today. The question of the state increasing or decreasing the burden is a separate policy question.

Linda Leadbetter, Property Tax Division Director and State Supervisor of Assessments, explained the various levies and authorities using the document *Schedule of Levy Limitations*, published by the ND Tax Department as a guide for discussion.

Leadbetter stated that the only statewide property tax is for the state medical center. The remainder of the levies is local tax authority. The Garrison Diversion conservancy district functions with 26 counties, with many levies under that authority not used.

The general fund is used for standard functions of the county. The home rule is a process that is allowed for consolidation to operate under one levy.

Mike Montplaisir explained that Cass County passed a home rule charter in the early 1990's. This process allowed them to set one capped levy of 75 mills for the county. The current levy is 62 mills and is broken down to a general fund (27.34 mills), human services fund (19.5 mills) and a road fund (10.25 mills). This is an easy breakdown for taxpayers to understand as they are able to separate the costs by department to be able to know the total cost for each operation. Other levies within the 62 mills include 1 mill for seniors, 1.58 mills for debt service, and 3 mills for emergency and flood mitigation. All expenses fall within the 75 mill cap with the exception of any board that certifies a budget such as the water, weed or vector board. The total reported for Cass County is 134 mills. Mills for water and park are not included in the 134 mills. Cass Counties' mills are lower than many other counties because of high valuations.

Twenty-three mills is the general fund cap. Some counties are above the twenty-three mills based on the maximum mill levy calculation due to special circumstances that were allowed for in statute where the county has opted to use the alternative calculation which allows a county that has reached the maximum of twenty-three mills to levy the same amount of dollars plus an increased amount to cover annual inflation. An example of a special circumstance that allowed for increasing beyond the 23 mills was a county experiencing declining population and declining valuations.

Cook asked how many counties are above the 23 mills, and given rising valuations, why are counties that went over the cap not returning to a level back under the cap? Leadbetter stated that it's likely that the counties that are still over the cap have not seen growth in valuation like most counties.

Gershman asked if federal funding would be jeopardized if a cap was in effect during a disaster. Leadbetter said in her opinion no, because there are a couple of other smaller levies that are available for the additional costs that an emergency causes (administration, roads, etc). Governor also pointed out there are programs to borrow funds for matching purposes.

Montplaisir stated that the city of Fargo does not have a levy for emergencies, and that cost would be covered by their general fund. In 2009, $6 million dollars was spent on the flood. Most of the funding was reimbursed from FEMA, but the city had to front the money. The city created an ordinance to levy 3 mills under the home rule charter.

Johnson asked if there is still a federal urban renewal program. Bill Woken said no, and that program, in addition to other federal programs, has been consolidated into the Community Development Block Grant program.

Cook stated that the interim legislative committee is in the process of understanding which communities are levying a city band and if they would like to continue this or if another avenue of funding is appropriate.

Meeting adjourned at 12:05 for lunch.
Meeting reconvened at 12:50pm.

Levy Authority and Actual Levies
Levy #1101: State Medical Center

- Governor suggested that the one mill assigned for the state medical school not be considered for change. The committee was in consensus.

Levy #1101-1100, 9999: Garrison Division Conservancy District

- Keep the general fund levy of 1 mill over 26 counties for Garrison Diversion and investigate the need for other unused authorities (Levy #1102-1110, 9999). The project scope of the Garrison Diversion project has changed due to federal policy changes. The staff and board members of Garrison Diversion will be invited to respond or visit directly with the Task Force at a later date to address this option.

Levy #1201 General Fund County Mill Levy.

- This levy is limited to twenty-three mills: Leadbetter provided the example of Richland County as a home rule county that is likely to be consolidating their levy. They are acting under their home rule charter. There is a statute that allows consolidated levy without being a home rule; however, no county is operating under this. Svihovec asked for a list of the counties that are home rule and also a list of counties using the home rule that are over the 23 mill cap for general expenses.

- Gershman asked when the levy limitation was put into place, why the limitation was put in place originally and if the limitation is still needed today. Marcy Dickerson was in the audience and was asked to respond. She stated that levy limitations were likely put into place in the 1940s or 1950s; or possibly as early as the 1930's. It was determined to investigate why this limit and others are exceeded in some cases without voter approval. In addition, explore the associated statute that allows political subdivisions to sustain historic high spending and why it does not phase out.

- A spreadsheet by county will be developed by the Tax Department that shows the total portfolio of levies. Rauschenberger noted that a number of counties reported are also oil producing counties which offsets their need to generate a general fund levy. For example, McKenzie County does not have a general fund levy because their cash flow from oil taxes covers their general fund expenses.

- A handout of a previously failed bill was passed out regarding a consolidation of county mills. Part of the reason it failed is because special interest groups were fearful that the county commissioners would eliminate the funding for those areas completely. Johnson stated that county commissioners sometimes prefer the constraints of spending when there is strong political pressure and not sufficient funds.

Levy #1203 & #1220, Human Services.

- There is no statutory limit to #1203 and only six counties are using this authority. Governor asked how this levy relates to other human service levies such as #1220 that has a twenty mill limit and there are 47 counties using this levy. Leadbetter said that there could be confusion on which levy the counties should be using.
- Johnson said that #1203 is within the general fund limitation which means they must stay within the 23 limit authority and #1220 is in addition to the general fund. Consolidation could result in coordination or synchronization with the #1201 General Fund.
- The differences between levies #1203 and #1220 will be explored and reported. #1202 "Care of Patients in State Institutions (NIU) will also be researched as it correlates with authorities of the above levies mentioned.

Levy #1204 County Roads & Bridges.

- Opportunity for streamlining this with other levy authorities such as farm to market roads.

Levy #1205: Extraordinary Outlay.

- This is a levy created in 1877 for the purpose of raising funds for up to 6 years. Cavalier and Ramsey counties currently use this authority. Further research will be conducted to determine what the counties are using the levy for and the opportunity for consolidation.

Levy #1206 Aid to Multi-County Fair Association,
Levy #1207 Firebreak Fund.

- Research number of counties using.
- Consider repeal/consolidation/bundling.

Levy #1208: Regional or County Correction Center (10 mill authority).

- This levy is similar to levy #1263. Of the counties that are levying, all have regional jails. Some funds are being levied for the purpose of contracted services, which may be a large amount of authority for that purpose. If there is not a major county jail expansion or maintenance, the expenses could be included in the general fund and the additional mill authority could be authorized for expansion, renovation, major maintenance. Cook said that in the case of regional jail facilities, counties are looking at sales tax as a revenue source. Montplaisir said that Cass County has had a sales tax to pay for the new facility and transition costs in addition to the jail. Woken said that another issue at hand is the transportation of prisoners which can be a high expense for some of the remote areas. Officer costs may even be included in some counties. Johnson will research how the counties use this mill levy.

Levy #1209: Excess Levy.

- Consider repealing. This levy is not currently used by any county.

Levy #1210: Emergency Levy.

- This levy is specifically is for disaster. It will be researched if this levy is tied to FEMA participation. Johnson said he is not aware of any problems with this arrangement or levy now. This levy would be important to be left flexible, to be able to carry over funds and to not consolidate with another levy because it is so unpredictable.
- No proposed change.

Levy #1211: OASIS, Social Security & Retirement.

- Consider combining with levy #1201: General Levy. This is similar to levy #1261, Comprehensive Health Care Insurance Benefit Program. Some counties operate retirement through their general fund and varying level of mills at each county. A sub-analysis of what levy the counties are using in the employee benefit area will be completed. Rauschenberger said that they will survey the counties to gather the information.
- Discussion was also held on separating and consolidating the automation and telecommunications portion of this levy.

Levy #1212: Farm to Market & Federal Aid Road.

- Levy #1201 (general fund), #1231 and #1233 are similar levies. At a later meeting, the head of the secondary road system will be asked to explain the farm to market match.
- Levy #1259 applies to one organized area, not the entire county.
- Levy #1231 addresses funds that are loaned or bonded.
- Levy #1233 requires a vote of the people. Belter said that he would be favorable to a minimal amount of authority without voter approval. Every road that becomes a farm to market road is voted on one at a time. Montplaisir said that when Cass County went home rule, they had to bring that levy into the home rule. The DOT would not give matching funds because there wasn't a separate levy for that. They were able to work it out with the state highway department to be able to verify there is a local source of funds. The levy listed for Towner County for #1233 lists 15 mills despite a 5 mill maximum. This is likely coded wrong.

Levy #1213: Veteran Service Officer.

- Discussion was held on how each county uses this fund.
- No proposed change.

Levy #1214, #1215: Extension Service.

- Both levies require a vote of the electors. No proposed change.

Levy #1216: Historical Society.

- 45 counties out of 53 have some levy. Cook stated that this is a levy that legislators have been lobbied to raise the cap in the past.
- Consider bundling/consolidation with other levy authorities.

Levy #1217: Health Districts.

- The delivery of health services is a statewide function and does not have any correlation with property ownership. Cook stated that this topic has also been discussed in the legislature.
- Rauschenberger said there are 46 counties that are involved in funding a health district and they are funded pretty consistently. Montplaisir explained that Cass County does not have a health district but they do contract with the city health district. Contracting services provides a significant savings to the county taxpayers.
- Johnson stated that there could be some encouragement of consolidation of districts and funding. Governor stated that a full briefing of the health districts will be provided by Maggie Anderson, the Human Services Executive Director at a future meeting. The briefing will detail funding sources, governance structures in addition to identifying all health district delivery systems such as stand-alone city health districts. Further research to be conducted will include understanding the revenue sources available to each health service or health district today, what the actual costs of the health districts are, and potential organizational structures.

Levy #1218: Aid to County Fair.

- This is a levy to be potentially consolidated/bundled with other levies.

Levy #1219: Job Development.

- Crosby stated he would like to recommend no change.
- Discussion was held on limiting this levy and excluding authorities for tourism expenses. Further discussion was held on bundling and grandfathering in this levy authority. No consensus was achieved.

Levy #1220: Human Services:

- This levy authority is likely to be paying for the local administration of the social service programs and has a high average across the counties. Governor stated that the state has taken over more of the county human services over the years to be provided on a regional basis. Some of the programs have been administered by the county because they are programs that need to be locally accessible for a variety of reasons.
- Crosby inquired if any of these funds were required for federal matching funds. Leadbetter said no, she was not aware of any.
- Some of the programs require additional access beyond the 8 regional centers; and with the assurances that the services would continue to be offered locally, the state could financially pursue the funding of some of these functions. The Department of Human Services will analyze the costs of the functions and report to the Task Force. Belter stated that it makes a lot of sense that the state takes the costs of Human Services over, however he is uncertain of the amount of control that shifts to the state and the potential for inefficiencies and loss of services.
- DesLauriers was in favor of exploring this idea and also considering the state funding these services. Johnson said that the county commissioners stated that they would be willing to release their taxing authority in exchange for state potentially taking over some of the human services functions, services and costs.

Levy #1221: Programs & Activities for the Elderly.

- This levy is eligible for a state match up to 2 mills for programs that support senior citizens and the elderly.
- No proposed change.

Levy #1222: Emergency Human Services.

- This is a longstanding, forward levy that is authorized for use in budget shortfalls with a proven deficiency. Higher levies include a number of reservation counties. This is another levy that draws the question as to whether this expense associated with the ownership of property. This levy is similar to Levy #1220 and should be addressed by the analysis done by Human Services.

Levy #1223 County Welfare (NIU). (see discussion points under Levy #1203)

- Correlates with Levy #1203 & #1220, Human Services.
- Consider repeal/consolidation.

The next meeting is scheduled for Friday, January 24th from 10am-3pm at the ND State Capitol in a room to be determined closer to the date.

Meeting was adjourned at 3:00pm.